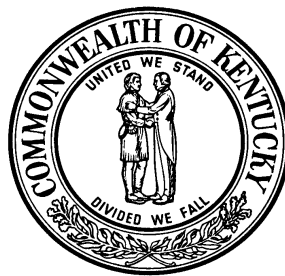


**REPORT OF THE AUDIT OF THE  
FORMER PIKE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2014**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**FORMER PIKE COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2014**

The Auditor of Public Accounts has completed the former Pike County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statements present fairly, in all material respects, the receipts, and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

**Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The former Pike County Sheriff had total receipts of \$2,341,278, which was a \$675,575 increase from the prior year. Except for reimbursed expenses in the amount of \$817,875 and Fiscal Court contributions of \$511,997, the former Sheriff paid 25% of receipts to the Pike County Fiscal Court in the amount of \$243,653. This was a decrease of \$10,951 from the prior year. In addition, 75% disbursements increased by \$82,628.

**Report Comments:**

2014-001 The Former Sheriff Had \$105,571 Of Disallowed Disbursements In His 75% Operating Fund  
2014-002 The Former Sheriff's 75% Fund Had A \$26,596 Deficit Balance At Year End  
2014-003 The Former Sheriff Did Not Maintain Adequate Time Records For All Employees  
2014-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties

**Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable William M. Deskins, Pike County Judge/Executive  
The Honorable Rodney Scott, Pike County Sheriff  
The Honorable Charles E. Keesee, Former Pike County Sheriff  
Members of the Pike County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the former Sheriff of Pike County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the former Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2014, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable William M. Deskins, Pike County Judge/Executive  
The Honorable Rodney Scott, Pike County Sheriff  
The Honorable Charles E. Keesee, Former Pike County Sheriff  
Members of the Pike County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by the County Sheriff on the basis of accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the former Sheriff and the receipts, disbursements, and fund balances of the former Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of the former Pike County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Pike County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable William M. Deskins, Pike County Judge/Executive  
The Honorable Rodney Scott, Pike County Sheriff  
The Honorable Charles E. Keesee, Former Pike County Sheriff  
Members of the Pike County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2014-001 The Former Sheriff Had \$105,571 Of Disallowed Disbursements In His 75% Operating Fund
- 2014-002 The Former Sheriff's 75% Fund Had A \$26,596 Deficit Balance At Year End
- 2014-003 The Former Sheriff Did Not Maintain Adequate Time Records For All Employees
- 2014-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal stroke extending to the right.

Mike Harmon  
Auditor of Public Accounts

January 13, 2016

PIKE COUNTY  
CHARLES E. KEESEE, FORMER SHERIFF  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

Federal Grants:

Lake Patrol Grant	\$ 31,739	
Highway Patrol Grant	<u>1,847</u>	\$ 33,586

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	41,995
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State Fees for Services:

Finance and Administration Cabinet	206,732	
Sheriff Security Service	24,894	
Cabinet For Health And Family Services	8,355	
Return of Fugitives	<u>3,162</u>	243,143

Circuit Court Clerk:	1,888
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Fiscal Court	511,997
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County Clerk - Delinquent Taxes	142,768
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Commission on Taxes	1,161,589
---------------------	-----------

Fees Collected for Services:

Auto Inspections	17,000	
Accident /Police Reports	178	
Serving Papers	63,912	
Carry Concealed Deadly Weapon Permits	<u>19,916</u>	101,006

Other:

Add-On Fees	70,830	
Transporting Mental Patients	1,615	
Account Closeouts	18,624	
Reimbursements	6,321	
Sequestered Jurors	437	
Miscellaneous	<u>5,427</u>	103,254

Interest Earned	<u>52</u>
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Total Receipts	2,341,278
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The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 CHARLES E. KEESEE, FORMER SHERIFF  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2014  
 (Continued)

Disbursements

Other Disbursements:

Juror Expenses	\$	450	
Miscellaneous		<u>8</u>	

Total Disbursements			<u>\$</u>	<u>458</u>
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Net Receipts				2,340,820
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Payments to State Treasurer:

75% Operating Fund *	2,097,158			
25% County Fund	<u>243,653</u>		<u>2,340,811</u>	

Balance Due at Completion of Audit			<u>\$</u>	<u>9</u>
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\* Includes reimbursed expenses in the amount of \$817,875 and fiscal court contributions of \$511,997 for the audit period.

PIKE COUNTY  
 CHARLES E. KEESEE, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2014

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2014	\$ (439,043)	\$	\$ (439,043)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,097,158		2,097,158
Fees Paid to State - County Funds (25%)		243,653	243,653
Total Funds Available	<u>1,658,115</u>	<u>243,653</u>	<u>1,901,768</u>
<u>Disbursements</u>			
Pike County Fiscal Court		243,653	243,653
Personal Services-			
Official's Statutory Maximum	105,597		105,597
Deputies' Salaries	943,775		943,775
Employee Benefits-			
Employer's Share Social Security	83,804		83,804
Employer's Share Retirement	152,643		152,643
Employer's Share Health Insurance	181,796		181,796
Employer's Share Life Insurance	6,374		6,374
Workers' Compensation	106,507		106,507
Operating Expenses	<u>209,786</u>		<u>209,786</u>
Total Disbursements	<u>1,790,282</u>	<u>243,653</u>	<u>2,033,935</u>
Less: Disallowed Disbursements	<u>(105,571)</u>		<u>(105,571)</u>
Total Allowable Disbursements	<u>1,684,711</u>	<u>243,653</u>	<u>1,928,364</u>
Fund Balance - December 31, 2014	<u>\$ (26,596)</u>	<u>\$ 0</u>	<u>\$ (26,596)</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the Fiscal Court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county Fiscal Court fund and paid to the Fiscal Courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014
- Payroll disbursements incurred but not paid

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2014  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

The former Sheriff's contribution for calendar year 2012 was \$159,247, calendar year 2013 was \$155,702, and calendar year 2014 was \$152,643.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014  
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Pike County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the former Sheriff's deposits may not be returned. The former Pike County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Account

The former Pike County Sheriff maintained an official bank account for monies obtained from seizures, sales of property used in illegal drug activities, and the Fiscal Court. The purpose of this fund is for undercover operations dealing with illegal drugs. The beginning balance as of January 1, 2014 was \$1,819. During calendar year 2014, funds of \$6,515 were received and \$8,334 was expended, leaving a balance of \$0 as of December 31, 2014. This account has been closed.

Note 5. Federal Grants

A. Lake Patrol - The former Sheriff's Office received a grant through the United States Army Corps of Engineers for lake patrol throughout the year. The amount received during 2014 was \$31,739.

B. Highway Patrol Grant - The former Sheriff's Office received a grant through the Department of Transportation for highway safety. The amount received during 2014 was \$1,847.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014  
(Continued)

Note 6. 75% Operating Fund - Deficit Balance

The former Pike County Sheriff's 75% Operating Fund had a deficit balance of \$26,596 as of December 31, 2014. KRS 64.345(4) states, in part, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% Operating Fund has to be settled at the end of the Sheriff's term, which ended December 31, 2014.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable William M. Deskins, Pike County Judge/Executive  
The Honorable Rodney Scott, Pike County Sheriff  
The Honorable Charles E. Keesee, Former Pike County Sheriff  
Members of the Pike County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements - regulatory basis of the former Pike County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated January 13, 2016. The County Sheriff's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the former Pike County Sheriff's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the former Pike County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Pike County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-003 and 2014-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Pike County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001 and 2014-002.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

January 13, 2016

## COMMENTS AND RECOMMENDATIONS



PIKE COUNTY  
CHARLES E. KEESEE, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

STATE LAWS AND REGULATIONS:

2014-001 The Former Sheriff Had \$105,571 Of Disallowed Disbursements In His 75% Operating Fund

The former Sheriff paid \$144,825 in annual leave payments at the end of his term to his employees. Of that amount, \$105,571 was paid for time that exceeded the allowable carry forward amount set forth in his own policies and procedures manual, which he adopted on January 2, 1990. The policy allowed for a maximum of 30 days of annual leave to be carried forward and paid to an employee upon termination or retirement. The former Sheriff disregarded these policies and procedures and paid annual leave buyouts in excess of allowable amounts.

Ten employees received compensation for over 30 days of accumulated annual leave. The following is a breakdown of payments:

Hours Paid	Amount Paid	Maximum Payment Allowed	Disallowed Amount
248	\$ 2,718	\$ 2,635	\$ 83
399	3,946	2,374	1,572
300	2,190	1,752	438
1,085	19,877	4,397	15,480
555	4,052	1,752	2,300
1,800	24,696	3,293	21,403
1,915	51,890	6,504	45,386
785	10,598	3,240	7,358
256	3,684	3,461	223
None Documented	11,328		11,328
			<u>\$ 105,571</u>

The former Sheriff should have followed the written policies and procedures in all areas. We recommend the former Sheriff reimburse the 75% operating account from personal funds the \$105,571 for these disallowed payments.

*Former Sheriff's Response: No comment.*

2014-002 The Former Sheriff's 75% Fund Had A \$26,596 Deficit Balance At Year End

The former Sheriff's 75% Operating Fund had a deficit balance of \$26,596 as of December 31, 2014. KRS 64.345(4) states, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% Operating Fund has to be settled at the end of the former Sheriff's term, which ended December 31, 2014. We recommend the former Sheriff work with the County to resolve the deficit. The former Sheriff should have monitored his operating account's receipts and disbursements to ensure that no deficit occurred.

PIKE COUNTY  
CHARLES E. KEESEE, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-002 The Former Sheriff's 75% Fund Had A \$26,596 Deficit Balance At Year End (Continued)

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*Former Sheriff's Response: No comment.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2014-003 The Former Sheriff Did Not Maintain Adequate Time Records For All Employees

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The former Sheriff's office did not maintain adequate timesheets accounting for actual hours worked, and timesheets were not signed by the supervisor. KRS 337.320 states, in part, "Every employer shall keep a record of... [t]he hours worked each day and each week by each employee; and [s]uch records shall be kept on file for at least one (1) year." In addition, timesheets should be kept for payroll verification and as a record of leave time used and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The supervisor's signature is necessary to verify all information on the timesheet is correct. Good internal controls dictate that all timesheets be signed by employees and have supervisory approval. The former Sheriff should have maintained proper time records for all employees.

*Former Sheriff's Response: No comment.*

2014-004 The Former Sheriff's Office Lacked Adequate Segregation Of Duties

---

The former Sheriff's office lacked adequate segregation of duties. The former Sheriff's bookkeeper collected payments from customers, prepared deposits, wrote checks, posted transactions to the receipts ledger, posted checks to the disbursements ledger and prepared monthly and quarterly reports. The former Sheriff or another employee did not document oversight of any of these activities. Lack of oversight could result in undetected misappropriation of assets or inaccurate financial reporting to external agencies such as the Department for Local Government. This is a result of a limited budget, which restricts the number of employees the former Sheriff could hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former Sheriff should have separated the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations and comparing financial reports to ledgers. If this was not feasible due to a limited budget, then cross checking procedures could have been implemented and documented by the individual performing the procedures.

*Former Sheriff's Response: No comment.*



